

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
Second Regular Session  
2008

# **HOUSE BILL 2117**

AN ACT

AMENDING SECTION 38-891, ARIZONA REVISED STATUTES; REPEALING LAWS 2007,  
CHAPTER 261, SECTION 17; RELATING TO CORRECTIONS OFFICER RETIREMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2       Section 1. Section 38-891, Arizona Revised Statutes, is amended to  
3 read:

4           38-891. Employer and member contributions

5       A. As determined by actuarial valuations reported to the employers and  
6 the local boards by the fund manager, each employer shall make level per cent  
7 of salary contributions sufficient under the actuarial valuations to meet  
8 both the normal cost plus the actuarially determined amount required to  
9 amortize the unfunded accrued liability over, beginning July 1, 2005 a  
10 rolling period of at least twenty and not more than thirty years that is  
11 established by the fund manager taking into account the recommendation of the  
12 plan's actuary, except that, beginning with fiscal year 2006-2007, except as  
13 otherwise provided, the employer contribution rate shall not be less than six  
14 per cent of salary. For any employer whose actual contribution rate is less  
15 than six per cent of salary for fiscal year 2006-2007 and each year  
16 thereafter, that employer's contribution rate shall be at least five per cent  
17 and not more than the employer's actual contribution rate. An employer may  
18 pay a higher level per cent of salary thereby reducing its unfunded past  
19 service liability. All contributions made by the employers and all state  
20 taxes allocated to the fund shall be irrevocable and shall be used to pay  
21 benefits under the plan or to pay expenses of the plan and fund. The minimum  
22 employer contribution that is paid and that is in excess of the normal cost  
23 plus the actuarially determined amount required to amortize the unfunded  
24 accrued liability as calculated pursuant to this subsection shall be used to  
25 reduce future employer contribution increases and shall not be used to pay  
26 for an increase in benefits that are otherwise payable to members. The fund  
27 manager shall separately account for these monies in the fund. Forfeitures  
28 arising because of severance of employment before a member becomes eligible  
29 for a pension or for any other reason shall be applied to reduce the cost to  
30 the employer, not to increase the benefits otherwise payable to members.  
31 After the close of any fiscal year, if the plan's actuary determines that the  
32 actuarial valuation of an employer's account contains excess valuation assets  
33 other than excess valuation assets that were in the employer's account as of  
34 fiscal year 2004-2005 and is more than one hundred per cent funded, the fund  
35 manager shall account for fifty per cent of the excess valuation assets in a  
36 stabilization reserve account. After the close of any fiscal year, if the  
37 plan's actuary determines that the actuarial valuation of an employer's  
38 account has a valuation asset deficiency and an unfunded actuarial accrued  
39 liability, the fund manager shall use any valuation assets in the  
40 stabilization reserve account for that employer, to the extent available, to  
41 limit the decline in that employer's funding ratio to not more than two per  
42 cent.

1       B. EXCEPT AS PROVIDED BY SUBSECTION H, each member shall contribute  
2 ~~eight and one half~~ 7.96 per cent of the member's salary to the retirement  
3 plan. Member contributions shall be made by payroll deduction. Continuation  
4 of employment by the member constitutes consent and agreement to the  
5 deduction of the applicable member contribution. Payment of the member's  
6 salary less the deducted contributions constitutes full and complete  
7 discharge and satisfaction of all claims and demands of the member relating  
8 to salary for services rendered during the period covered by the payment.

9       C. Each participating employer shall cause the member contributions to  
10 be deducted from the salary of each member. The deducted member  
11 contributions shall be paid to the retirement plan within five working days  
12 and shall be credited to the member's individual account.

13      D. During a period when an employee is on industrial leave and the  
14 employee elects to continue contributions during the period of industrial  
15 leave, the employer and employee shall make contributions based on the salary  
16 the employee would have received in the employee's job classification if the  
17 employee was in normal employment status.

18      E. The local board of the state department of corrections or the local  
19 board of the department of juvenile corrections may specify a position within  
20 that department as a designated position if the position is filled by an  
21 employee who has at least five years of credited service under the plan, who  
22 is transferred to temporarily fill the position and who makes a written  
23 request to the local board to specify the position as a designated position  
24 within ninety days of being transferred. On the employee leaving the  
25 position, the position is no longer a designated position.

26      F. The local board of the state department of corrections or the local  
27 board of the department of juvenile corrections may specify a designated  
28 position within the department as a nondesignated position if the position is  
29 filled by an employee who has at least five years of credited service under  
30 the Arizona state retirement system and who makes a written request to the  
31 local board to specify the position as a nondesignated position within ninety  
32 days of accepting the position. On the employee leaving the position, the  
33 position reverts to a designated position.

34      G. BEGINNING WITH FISCAL YEAR 2008-2009, if the aggregate computed  
35 employer contribution rate that is calculated pursuant to subsection A is  
36 less than six per cent of salary, beginning on July 1 of the following fiscal  
37 year the member contribution rate prescribed in subsection B OR H is  
38 permanently reduced by an amount that is equal to the difference between six  
39 per cent and the aggregate computed employer contribution rate.  
40 Notwithstanding this subsection, the member contribution rate shall not be  
41 less than 7.65 per cent of the member's salary.

1           H. NOTWITHSTANDING SUBSECTION B, EXCEPT FOR A FULL-TIME DISPATCHER,  
2 BEGINNING ON JULY 1, 2009, A MEMBER SHALL CONTRIBUTE 8.41 PER CENT OF THE  
3 MEMBER'S SALARY TO THE RETIREMENT PLAN. AFTER THE CLOSE OF ANY FISCAL YEAR,  
4 IF THE PLAN'S ACTUARY DETERMINES THAT THE AGGREGATE RATIO OF THE FUNDING  
5 VALUE OF ACCRUED ASSETS TO THE ACCRUED LIABILITIES OF THE FUND IS AT LEAST  
6 ONE HUNDRED PER CENT, FROM AND AFTER JUNE 30 OF THE FOLLOWING YEAR, EXCEPT  
7 FOR A FULL-TIME DISPATCHER, A MEMBER SHALL CONTRIBUTE 7.96 PER CENT OF THE  
8 MEMBER'S SALARY TO THE RETIREMENT PLAN. ADDITIONALLY, THE MEMBER'S  
9 CONTRIBUTION TO THE RETIREMENT PLAN MAY ALSO BE PERMANENTLY REDUCED PURSUANT  
10 TO SUBSECTION G.

11           Sec. 2. Repeal

12           Laws 2007, chapter 261, section 17 is repealed.